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AN INTERCOLONIAL PREFERENTIAL EXPERIMENT

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The skillful policy of Sir Wilfred Laurier, the discussions of the colonial conferences, the propaganda of Mr. Chamberlain, and the activities of the colonial legislatures have served to bring the subject of preferential trade most prominently before the attention of the British public. Unfortunately the consideration of the question has been almost exclusively of a partisan character, the merit or expediency of the policy being lost sight of amid the stress of national political issues. The question, however, is one which readily admits of scientific economic treatment, since the history of imperial relations, and more especially the reciprocal economic policies of the several groups of colonies offer abundant material for an impartial historical and political investigation. The preferential program is not new or experimental; it has been tried both as an imperial and intercolonial policy by imperial and colonial governments alike. The Canadian, Australian and South African colonies have all attempted to work out within their several groups a more perfect political organization through some system of commercial coöperation or fiscal preference. The experience of the Australian group is especially valuable and instructive to the student of imperial politics, on account of the favorable conditions under which the experiment was made. On the one hand, the isolation and the geographical unity of the colonies, the uniformity of their legal systems and political institutions, and above all the racial, social and religious unity of the inhabitants combined to weld the colonies into an organic whole; on the other hand, the diversity of economic life, the natural independence of the colonies, thanks to an open sea-board, the irreconcilable differences in their fiscal systems, the ambitions of local politicians, the jealousies of competing cities, and the selfishness of particularistic interests impelled each state to maintain a separate existence, and to pursue a course of free and independent action. A brief chapter in the history of the working of these conflicting forces on the economic and

political life of the colonies will not only serve to point out the true relation between the policy of intercolonial preference and the development of an Australian nationalism, but may also throw some light upon the vaster question of the proposed economic organization of the empire upon the basis of an imperial preference.

The early history of Australia is a history of the separation and expansion of distant settlements. A considerable period elapsed before the isolation of the colonies was broken down through the rise of a profitable intercolonial trade. But, unfortunately, the growth of social and economic intercourse was not permitted to proceed unhampered; provincial independence, though favorable to the development of local resources, was productive of divergent interests and conflicting fiscal policies. At first the local governments had no clearly defined commercial programs; they each and all adopted the easiest and readiest means of taxation without regard to economic principles. Generally speaking, the tariffs were revenue producing though incidentally protective features were introduced. The dissimilarity of economic conditions and the divergent needs of the local treasuries served to strengthen their fiscal differences. It was but natural under these circumstances that the common commercial interests of the Australian group failed to secure proper recognition in the local legislatures. Financial and economic considerations alike seemed to favor an independent commercial policy in the several colonies and the imposition of intercolonial duties. The rapid development of intercolonial trade furnished the needy exchequers with a productive source of revenue, and at the same time awakened the selfish opposition of the producing interests to the free importation of competing products.

But the policy of economic segregation, of treating the sister colonies as alien states, did not pass unchallenged. There was but a feeble sense of community of interests, but at least efforts were made in some of the colonies to secure a limited measure of reciprocal free trade. This policy, unfortunately, was restricted in its application, and accompanied moreover by the adoption of the discredited system of intercolonial discrimination. In some of the colonies the general customs acts were legally or conventionally relaxed in favor of certain privileged members of the group, but strictly maintained for revenue or protective purposes against their less fortunate neighbors. In New South Wales—one of the preferential colonies,—an interesting attempt was made by the mercantile community to induce the

legislative council to broaden the scope of the fiscal privilege so as to include all of the Australian colonies. The proposal did not aim at a Zollverein, but simply to bring about a genuine system of preferential trade based upon the principles of intercolonial freedom, fiscal independence, and a tariff against the outside world. The supporters of the measure condemned the existing discrimination against some of the sister states as unjust in principle and productive of jealousy and ill feeling, and strongly pleaded for the cultivation of closer economic relations between the colonies, even at the expense of a small temporary loss of revenue. The governor however, for imperial reasons, opposed the principle of an Australian preference as an improper encroachment upon the sovereign powers of parliament over the commerce of the empire. The proposal, in his opinion, was open to a still graver objection of a financial character. If the privilege of free importation were extended to the other Australian colonies, the government might be called upon to apply the principle in favor of more distant dependencies of the crown, a policy which would inevitably be productive of considerable loss and inconvenience to the local treasury. The opposition of the governor was decisive; the council dropped the proposal without further consideration. In the judgment of the legislature a general intercolonial preference was of far less consequence than the local revenue or the economic advantage of the colony. Whatever may have been the grounds for this decision, whether intercolonial jealousy, economic antagonism, or fiscal necessity, the result clearly evidenced that the mother colony was not prepared to take a liberal and enlightened view of Australian commercial relations. Parochial politics were permitted to outweigh national interests. At a critical moment when her influence might have been determinative of the fiscal policies of the other colonies, she foolishly threw away a most splendid opportunity of promoting the commercial and political union of the Australias.

But in pursuing their selfish and irrational course of fiscal legislation the colonies had overlooked the demands of imperial policy. At the time of the founding of New South Wales, the principles of the mercantile system were in the ascendency. Not until the triumph of free trade doctrines were the colonies released from the many irksome restrictions imposed on colonial trade in favor of British commerce, and permitted to determine largely their own fiscal policies with a view to their particular interests. But in freeing the colonies from protectionist limitations on foreign trade, the English government was guilty

of placing restrictions of another kind on the fiscal freedom of the colonies in the interest of imperial free trade. Naturally the home authorities did not look with favor upon schemes of reciprocal intercolonial preference in the advantages of which they did not participate, and which moreover were incompatible with the commercial policy of the empire. Although not objecting in practice to the imposition of customs duties for general revenue purposes, they set their faces determinedly against the levying of discriminatory duties in the colonies. The adoption of a system of intercolonial preference, it was declared, would necessarily lead to fiscal retaliation, and to a system of protective tariffs and differential duties at variance with the imperial fiscal policy. In a circular dispatch of 1843, Lord Stanley instructed the governors to use all "the legitimate influence" of their offices to prevent the introduction and passage of such bills, and if necessary to withhold assent to their enactment. If these precautions were not sufficient to check such measures, the royal veto would be inevitably forthcoming. The former policy of favoring British commerce by a system of preferential tariffs was now discarded in favor of fostering international free trade by their abolition. The home government still maintained the right to regulate the commercial policy of the empire; henceforth it is true, they did not directly interfere with colonial tariffs, but they indirectly effected the same object through the exercise of the treaty making power and the royal veto. There was still an imperial fiscal policy; only the principle was changed from protection to free trade.

Notwithstanding the secretary's instructions and the royal veto, the practice of discrimination still went on. Several of the colonies continued the preferential policy of admitting British or colonial products upon the most liberal terms, while levying a higher rate of duty upon the goods of foreign states and less favored sister provinces. Nor was the colonial secretary any more successful in preventing the growth of intercolonial protective duties. His lordship's policy worked out its own defeat. The chief practical result was to cut off the limited privilege of free intercourse then enjoyed under the preferential tariffs, and to frustrate the incipient movement toward reciprocal free trade. Instead of breaking down the system of intercolonial protection, new barriers were now raised against freedom of intercolonial intercourse. Under the plea of financial necessity, the local legislatures were prone to enter upon the policy of fostering domestic interests at their neighbors' expense. With the growth of a

particularistic spirit, the fiscal programs of the colonies drifted farther and farther apart. The two leading provinces were alike guilty of imposing protective duties on leading articles of import from the sister states. Although this policy was frankly defended in some quarters on purely protective grounds, nevertheless the legislative councils of both colonies were artful enough to seek to conceal the real purpose of their measures behind the pretense of complying with the demands of the imperial policy forbidding discriminatory duties. The evil results of intercolonial tariffs were speedily felt by the commercial community, and an active agitation arose for the repeal of the iniquitous duties. The question was taken up by the council of New South Wales, which unanimously adopted a resolution praying Her Majesty to disallow the recent retaliatory legislation of their neighbor. In the course of the debate, the colonial secretary threw out a suggestion for the appointment of a governor-general as the best means of unifying the fiscal policies of the colonies. He clearly perceived that a mere policy of negation,—of appeal to Downing street for the disallowance of pernicious legislation—would not harmonize the divergent tariffs of the several states. The suggestion was quickly seized upon by Governor Fitzroy, who recommended to the secretary for the colonies the advisability of creating a central intercolonial authority for the consideration of common Australian affairs. The colonies, he urged, should not be permitted to

pass hostile or retaliatory legislation calculated not only to interrupt their commercial intercourse with each other, but to create feelings of jealousy and ill will among them, which if not checked, might lead to mischievous results.

The advice was most timely. The intervention of the imperial government was urgently required to rescue the colonies from a hopeless confusion of hostile tariffs and conflicting fiscal legislation. New South Wales and Van Dieman's Land were already in collision. Soon after South Australia adopted a complex preferential schedule which would delight the heart of the modern tariff reformer. About the same time New Zealand framed her tariff upon the simple basis of restricting taxation to a few articles of general consumption. In short, an exclusive consideration of their own separate interests had brought about a strange medley of fiscal regulations and tariff anomalies in the commercial relations of the colonies. The principles of free trade, protection, preference, and discrimination were embodied

in the tariff policies of one or the other of the provinces. The local legislatures were justly chargeable with a perverse shortsightedness in flagrantly disregarding the general welfare of the Australian group, with which the economic prosperity and social happiness of each colony were necessarily bound up.

The question of intercolonial relations came before the home authorities at the very moment when the secretary for the colonies was working out an improved constitutional organization for the Australias. Earl Grey quickly perceived the intimate interdependence of the economic and political factors in the life of the colonies. Fiscal independence was the fountain source of intercolonial difficulties. Some means must be found of introducing that unity and harmony into the commercial policies of the colonies, which was essential to the development of their splendid national resources. To this end, he suggested the creation of a common legislative organ endowed with limited powers in respect to affairs of general Australian interest. The primary purpose of his lordship's federal proposal was to forestall the probable establishment of a line of customs houses along the inland boundaries, the irritation of which would inevitably destroy the social and economic unity of the Australias. The whole question of colonial constitutions was later referred to the committee on trade and plantations, for more careful consideration. This body soon after presented an able report in which the fiscal policy and federal principles of his lordship were worked out in more detail. As a cure for the evil of intercolonial duties, the committee recommended the setting up of a federal legislature of limited powers, together with a single tariff and unrestricted freedom of trade throughout the colonies. A uniform customs system, it was seen, could alone effectually avoid the fiscal preferences and fraudulent evasions of the revenue laws which would result from such halfway measures as reciprocal agreements or intercolonial free trade. First and foremost among the powers conferred upon the proposed general assembly were those in respect to commerce, "the imposition of duties on imports and exports," and the levying of shipping dues or charges.

The Australian colonies government bill, which was soon after introduced into the commons, went one step farther than the committee's recommendation, by prohibiting both the general assembly and the local legislatures from levying any kind of discriminating duties, or from imposing any differential transportation charges by which the products or ports of any one colony might be favored at the

expense of another. In order to safeguard the economic and political interests of the motherland, a similar inhibition was laid upon the imposition of preferential or discriminatory duties and shipping charges in violation of Her Majesty's treaty obligations. The insertion of the first of these comprehensive provisions in the federal constitution was designed to put an end *ab initio* to the whole system of colonial and imperial discrimination; the object of the second was to impose on Australia the commercial policy of the empire through the treaty making power.

Meanwhile the question of a uniform tariff had been carefully canvassed by a limited but interested section of the Australian press and public. Popular opinion, so far as expressed, was far from uniform or consistent throughout the colonies. In the two larger provinces the views of the commercial community were mostly favorable to the principle of customs uniformity, though much divided upon the expediency of parliamentary intervention in fiscal matters, and as to the impartiality of a general assembly, and its ability to frame a satisfactory federal tariff. A commercial union of the colonies was considered the greatest boon that federation promised to confer. Although some doubt was expressed as to the effect of federal customs regulation upon the local treasuries, it was generally felt that the blessing of intercolonial free trade would more than compensate for any loss of revenue from the remission of intercolonial duties. But the producing interests looked upon a Zollverein, with the consequent abolition of intercolonial duties, in an entirely different light; in their eyes it was a dangerous attack upon the political and commercial autonomy of the colonies; it involved the sacrifice of special local interests which had been built up under a system of protection. The views of the particularists were defended on financial, economic and imperial grounds. Viewed from the fiscal standpoint, the adoption of a uniform tariff would be disastrous to the revenues of the smaller colonies, whose tariffs required to be adapted to the changing necessities of public finance. The economic conditions of the colonies were likewise so essentially different in character, that a uniform system of fiscal legislation could only be introduced by sacrificing the particular interests of the weaker colonies to the demands of the stronger. To disregard these permanent conditions was to defy the laws of nature herself. The policy of intercolonial free trade was equally objectionable for imperial reasons, since it would stimulate and sanction the very evil of differential duties within the empire which

the government was desirous of putting down between the colonies; it would foster the development of a system of Australian protection at the expense of other portions of the royal dominions. In truth, the splendid conception of an Australian Zollverein had taken but a feeble hold upon the minds of the electorate in any single colony. It served to call out the selfish interests of favored groups, rather than to appeal, as a national issue, to the serious consideration of the general public.

In order to overcome the objections of the colonists, certain material alterations were made in the bill on its presentation to the house the following session. The colonial legislatures were endowed with a liberal measure of fiscal autonomy; they were empowered to levy such customs duties as they might see fit, provided only they were not of a differential kind, and did not contravene certain other regulations of minor importance. The language of the proviso, though not so comprehensive as that of the original bill, was sufficiently inclusive to veto the adoption of a policy of intercolonial reciprocity, or the grant of any special most favored nation privilege as between the colonies. The constitutional limitations of the former bill in respect to the levying of duties, bounties, or drawbacks of any kind whatsoever, or the imposition of shipping dues at variance with Her Majesty's treaty obligations were however retained both for the general assembly and the local legislatures.

After an animated debate the federal provisions of the bill were carried by a large majority in the commons, but in the upper chamber, the criticism of the opposition was so severe that the government thought it advisable to drop the federal clauses. The sister tariff provisions, however, were passed through both houses without the slightest discussion. The imperial parliament had no qualms of conscience in restricting the fiscal freedom of the colonies in favor of imperial commerce. Discriminatory duties were assumed to be injurious to the commercial interests of the colonies because they were found to be harmful to English trade. The question of the applicability of imperial restrictions to colonial conditions, or their compatibility with colonial feeling and policy was not even taken into consideration. The effect of these illiberal commercial provisions was to seriously restrict the fiscal freedom of the colonies in seeking to work out a system of reciprocal preference or limited intercolonial free trade. The intervention of the parliament at Westminster was due in the first place to a desire to vindicate the supremacy of the

commercial policy of the empire against the narrow and particularistic legislation of the colonies; and secondly, to the necessity of putting an end to the vagaries and inconsistencies of the tariff policies of the several States. However indefensible on constitutional grounds the intervention of the sovereign will of parliament would have been, if based solely upon a consideration of imperial interests, there can be little question but that its action was economically justifiable in view of the confusion and conflict of colonial fiscal legislation. The local legislatures had so abused their commercial powers as to lead the colonists themselves to call for the intervention of the imperial government to save them from retaliatory self-destruction.

For this contretemps, the colonies had themselves largely to blame. The policy of intercolonial preference was given a selfish and contracted application. The principle of protection took possession of the local legislatures; economic particularism and local self-interests were developed at the expense of the sister states. The system of mutual preference, which at first had been based upon the enlightened principle of a community of intercolonial interests, soon lost its original free trade character. The liberal preferential features of the several tariffs gave place to protective and discriminatory provisions. The colonies became competing states, whose reciprocal commerce was burdened with unfriendly customs duties. Instead of fostering the growth of intercolonial trade, and promoting the interests of Australian unity, the preferential policy was made to assume the indefensible form of provincial protection and intercolonial discrimination, the natural result of which was not only to affect prejudicially the commercial interests of all the colonies, but what was even more serious to provoke a spirit of alienation, a false local patriotism, and a feeling of resentment between the favored and less fortunate colonies. An imperial act was required to rescue the colonies from the threatened danger of chronic economic friction and political antagonism. In the language of the *Sydney Herald*:

Had not the policy of the British empire prohibited the freaks of selfishness, we should assuredly find petty legislatures covering the tables with bills for the restriction of commerce, for the protection of native industry, for the control of labor, * * * and for every encroachment, monopoly, impertinence and folly which covetousness of caste and class have ever clothed in the garb of patriotism.

The path of colonial preference, which at first appeared to point the way to the realization of an Australian nationalism, proved to

be but a devious track, in following which the colonial legislatures wandered far afield into the blind morasses of intercolonial protection and provincialistic self-interest. In short, the jealousies of the local legislatures, and the selfishness of privileged interests within the several colonies, not only succeeded in defeating the beneficent operations of a limited intercolonial preference, but also managed to nullify the efforts of imperial and colonial statesmen to bring about a commercial or political union of the Australias. If, then, the policy of intercolonial preference was so easily turned aside from its original liberal principles into an instrument of protection, can it be safely assumed that the colonies of today, whose fiscal programs and political ideals are decidedly nationalistic in character, will be less narrow-minded in their commercial policies, or more imperialistic in their attitude toward the motherland and the sister states, than the Australian colonies showed themselves to be? If, as has been seen, the working of a protectionist preferential policy occasioned confusion of tariffs, retaliatory legislation, and estrangement of feeling between neighboring provinces, whose commercial and political interests were fundamentally one, is there not reason to fear that the adoption of that same policy within the empire, in which a hundred fold greater diversity of interests prevails, might likewise introduce an element of discord into the happy autonomous relations now existing between the self-governing colonies and the home land? However this may be, the subsequent arbitrary and ungenerous disavowals of the various agreements for reciprocal freedom of trade along and across the Murray, serve to bring out clearly the danger of fiscal antagonism which is apt to arise from the application of strict commercial principles to intercolonial relations. Notwithstanding the solemn nature of these conventions, and the advantages they offered to intercolonial trade, the several governments did not hesitate to repudiate at will their treaty obligations, whenever the claims of the local treasuries, or the clamors of local protectionists appeared to favor the reimposition of border customs duties. The monopolistic spirit of the trader was stronger than the social instinct of the people. The repeated repudiation of these limited concessions to freedom of intercolonial intercourse would go to prove, or at least suggest the inference, that the propensity to economic friction might be sensibly diminished, if the principle of reciprocal bargain or contract could be eliminated from the preferential program. If the policy of a general imperial preference be ultimately adopted, it may be found that the plan of the

Canadian government, in granting a voluntary preference as a national free will offering to the motherland, will afford the readiest mode of escape from the huckstering spirit and the irksome restrictions of an imperial convention.

But so long as the spirit of protection is dominant throughout the colonies, there can be little hope for a genuine system of preferential trade in which the commercial unity of the empire will be recognized between the various self-governing states as also against the outside world. The much lauded preferential policy of today is essentially a colonial and not an imperial policy; it aims at the furtherance of colonial interests, rather than at the promotion of the general commercial welfare of the empire. However much the uniform adoption of such a policy might contribute to the betterment of imperial relations, it would not furnish a solid foundation upon which a constitutional organization of the empire could be safely erected. The history of the nineteenth century strongly attests that a sense of the social and spiritual unity of a people, and not a materialistic conception of provincial self-interest, lies at the very heart of all true national and federal movements. The consummation of the Australian commonwealth exemplified this principle in a striking manner; a social consciousness had at last emerged; it marked a splendid triumph of the spirit of native nationalism over the selfish interests of particular groups. One looks in vain, both in England and the colonies, for permanent evidences of a similar great social movement for the economic and political unification of British dominions throughout the seven seas. In the face of the failure of the various colonial and imperial experiments, is it reasonable to believe that a preferential propaganda, however ably conducted, and however well adapted to the protectionist sentiment of the colonies, can overcome the social indifference and the political independence of the widely scattered groups of self-satisfied and self-assertive States? In brief, the experience of the Australian colonies appears to cast grave doubt upon the possibility of effecting a closer union, or a political federation of the empire, through the agency of any economic policy short of an imperial Zollverein. An appeal to the history of the formation of the American union, and of other modern federations lends confirmation to this opinion. Viewed in the light of the teaching of political experience, it may be said that the Australian experiment presents little that is distinctively new or striking; it rather repeats the plain lesson of history—that sister states must either confederate, or fall

a prey to the disintegrating forces of economic rivalries and political antagonisms. The sacrifice of fiscal independence is the high price of political unification—a price, however, which the colonies have decisively declined to pay in order to gain the questionable benefits of an imperial organization.